BY SAMUEL PIZER AND FREDERICK CUTLER

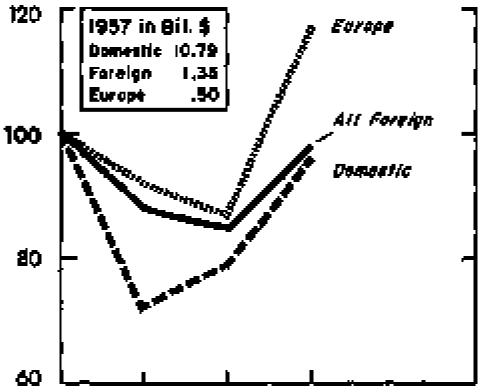
Capital Outlays Abroad by U.S. Companies:

Rising Plant Expansion in Manufacturing

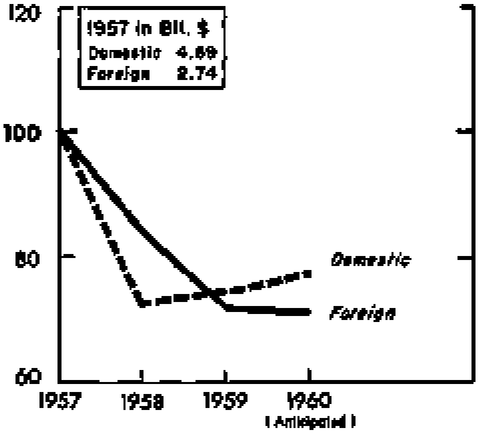
CAPITAL outlays abroad by U.S. manufacturing companies are being stepped up to a rate of $1.3 billion this year, from an annual rate of under $1.2 billion in 1958 and 1959. The current rate is nearly equal to the amount reported for 1957, the first year for which such information was collected. Related information for capital flows from the United States and reinvested earnings, which is available over a long period, indicates that 1957 was a peak year for foreign capital expenditures.

Comparison of Domestic and Foreign Plant and Equipment Expenditures By U. S. Companies – 1957-60

MANUFACTURING* – More Moderate Swing Abroad: Upsurge in Europe in 1960



PETROLEUM AND MINING – Foreign Expenditures Continue Decline From 1957 High



* Excludes primary iron and steel and petroleum and coal products

U. S. Department of Commerce, Office of Business Economics 60-10-12

In contrast to the upturn in the manufacturing industry, capital expenditures abroad by petroleum companies have declined from $2.3 billion in 1957 to $1.6 billion in 1959 and a like amount in 1960. Mining investments held steady at a little over $400 million in the 1957–59 period, but are expected to be moderately lower in 1960 because of the completion of a few large projects.

Information for other industries is not collected currently in the same detail—in the aggregate they amounted to about $0.7 billion in 1957 and are estimated at $0.6 billion in 1959 and 1960.

For all industries combined, foreign expenditures for plant and equipment were $4.9 billion in 1957, and at a rate of about $3.7 billion in 1959 and $3.9 billion in 1960.

Comparison With Domestic Outlays

For some U.S. manufacturing industries, foreign plant and equipment expenditures now form a sizable part of their overall capital expenditure programs. As shown in the following tabulation, the proportion of foreign expenditures to total ranges from 10 to 25 percent in several major industries. There is an overstatement in the foreign figures for specific industries, since they include acquisitions of existing assets as well as new plant and equipment, but this is not believed to be significant. Also, the foreign figure includes the share of foreign investors as well as of the U.S. controlling interests.

Variations in the direction of domestic and foreign capital expenditures, depicted in the first chart, reflect a number of influences, both short-run and longer term, although the period for which comparable data are available is too brief to establish consistent relationships. For manufacturing investment, both domestic and foreign outlays reflected, and in turn reacted

Expenditures for Plant and Equipment in Selected Manufacturing Industries, 1959

[Amounts in billions of dollars]

Industries	Expenditures			Percent of total, foreign
	Total	Domestic	Foreign	
Primary and fabricated metals [1]	1.13	1.00	.13	12
Electrical machinery and equipment	.61	.52	.09	15
Machinery, except electrical	1.02	.91	.11	11
Transportation equipment	1.29	1.05	.24	20
Paper and allied products	.72	.63	.09	13
Chemicals and allied products	1.45	1.23	.22	15
Rubber products	.26	.19	.07	27
Food and beverages	.91	.83	.08	9
Total, selected industries	7.39	6.34	1.05	14

1. Excludes primary iron and steel producers.

upon, the downturn in industrial activity from 1957 to 1958, with foreign expenditures declining less partly because economic activity in major countries abroad, except for Canada, did not weaken significantly.

In 1959, on the other hand, domestic expenditures were raised along with the general level of economic activity, while foreign outlays fell off slightly in the face of strongly advancing economic activitity in major industrial countries. The explanation for this lies primarily in continued declines in Canada, where industrial production was recovering slowly, and a sharp but temporary drop in the transportation equipment sector in the United Kingdom. Manufacturing outlays elsewhere were generally higher in 1959 than in 1958.

Outlays anticipated by manufacturing companies for 1960 turned strongly upward both at home and abroad. The notable feature of the foreign situation, however, is the striking rise projected for Europe. This rise is probably in part influenced by the continued upward movement of industrial production in Europe, even though the curve is not so steep as in 1959. Also important for this area, however, is a longer run expectation of expanding demand, and growing competition, as well as some lag in implementing plans formed last year.

The situation is considerably different in the petroleum and mining industries. Capital outlays abroad by the petroleum companies in 1959 and projected for 1960 are larger than those of any other industry, but have been declining since 1957 as available supplies are ample to meet expected demands. Mining investments abroad have also, at least temporarily, established adequate supplies of a number of metals and minerals. However, domestic petroleum outlays, although turning upward since 1958, are still below the level of the early 1950's, while foreign expenditures by this industry are currently larger than in periods prior to 1956.

Upturn in Manufacturing Investment

U.S. manufacturing companies anticipate an increase of some 15 percent in plant and equipment expenditures abroad in 1960 as compared to 1959, following a sharp dip in such outlays in 1958 and a further moderate decline in 1959. The 1960 upturn is broadly based, as shown in the second chart, affecting all major areas and industry groups, though in varying degrees.

European plants expanding rapidly

Outlays in Europe—over 40 percent of the total—are rising sharply, both in the Common Market countries and in the United Kingdom. In the latter country, scheduled outlays in manufacturing of about $300 million for 1960 are about the same as the level attained in 1957, both in total and for major commodities. About one-third of the outlays are in the transportation equipment group, with the chemical and primary and fabricated metals industries also reporting substantial amounts.

In the Common Market countries capital expenditures by U.S. manufacturing companies are now well above the 1957 amounts, and are probably at a record rate. Transportation equipment and chemicals are also major fields for investment in this area, together with various types of machinery. About two-thirds of the outlays in the Common Market countries are in Germany, and nearly one-fifth in France.

Canadian expenditures steady

Capital outlays in manufacturing in Canada have been maintained at about $400 million annually beginning in 1958. In 1957 the total was much higher, but this reflected exceptionally large outlays by a few companies in the paper and pulp and primary metals categories.

U.S. direct investments are a large element in manufacturing in Canada, accounting for about 40 percent of capital outlays in these industries in that country in 1959 and in 1960, when both series are adjusted to a comparable basis. However, outlays by these U.S. direct-investment enterprises have not been rising recently while outlays for Canadian manufacturing as a whole have increased moderately since 1958.

The basic data on sources and uses of funds of foreign subsidiaries and branches of U.S. companies contained in this article, and related data on the assets, liabilities, and ownership of these enterprises, were collected in the comprehensive Office of Business Economic census, the complete results of which will soon be available in a supplement to the SURVEY OF CURRENT BUSINESS entitled *U.S. Business Investments in Foreign Countries*, now at the printer.

The census benchmark data for 1957 have been carried forward by the use of data made available currently covering a large proportion of the foreign investment activity.

Continued rise in Latin America

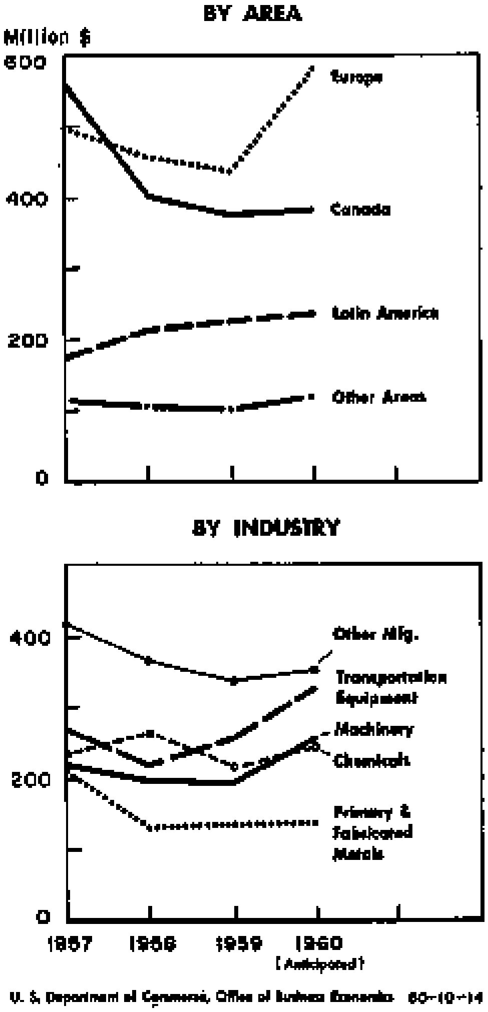
Since 1957 U.S. manufacturing companies have increased substantially their plant and equipment investments in Latin America, reaching an anticipated total of $234 million in 1960. Among the products for which large outlays are in progress are chemicals, transportation equipment, and electrical machinery.

Outlays are largest in Brazil, amounting to nearly $75 million in 1960. In Argentina, expenditures rose, amounting to nearly $70 million in 1960, more than double the 1957–59 average. A sharp rise is reported for most industries in Argentina, especially in transportation equipment.

In Mexico, capital outlays have held steady at a little under $50 million annually since 1957, and Venezuela has also received a steady though smaller

PLANT AND EQUIPMENT EXPENDITURES ABROAD

U. S. Companies Expand Foreign Manufacturing Facilities



U. S. Department of Commerce, Office of Business Economics 60-10-14 amount of investment. For these countries, and for Latin America as a whole, the sums invested annually for plant and equipment are much larger than capital flows from the United States, since the companies utilize other sources of funds, especially retained earnings, depreciation charges, and local financing.

Other countries

Expansion of manufacturing facilities in the rest of the world is concentrated primarily in such industrialized countries as Australia, Japan, and the Union of South Africa, with steady expenditures in India and the Philippine Republic. These countries together account for all but about $10 million of total manufacturing outlays by U.S. companies in Africa and Asia.

Australia has been a leading field for U.S. manufacturing investments for many years, with 1960 expenditures for plant and equipment expected to be nearly $60 million, spread over many commodity groups. Expenditures in Japan, scheduled at about $25 million in 1960, are especially large in chemicals, while in the Philippine Republic the emphasis is on food products.

Table 1.—Plant and Equipment Expenditures of Direct Foreign Investments, by Country and Major Industry, 1957–1960
[Millions of dollars]

	1957			1958			1959			1960		
	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing	Mining and smelting	Petroleum	Manufacturing
All areas, total	421	2,522	1,347	481	1,878	1,180	430	1,674	1,141	358	1,675	1,314
Canada	165	584	581	172	636	404	210	378	379	240	380	363
Latin American Republics, total	190	992	173	262	832	210	125	412	226	48	746	333
Mexico, Central America and West Indies, total	30	43	53	40	10	66	31	24	55	12	27	56
Cuba	(*)	32	17	(*)	4	19	(*)	11	10	(*)	10	9
Mexico	13	(**)	36	7	1	47	8	1	45	6	1	47
Other countries	(*)	11	(**)	(*)	12	-------	(*)	12	-------	(*)	16	-------
South America, total	164	950	120	180	814	144	96	386	171	39	719	176
Argentina	(*)	(*)	21	(*)	8	38	(*)	30	29	(*)	28	67
Brazil	1	8	85	3	8	83	1	5	114	1	10	74
Chile	62	(*)	3	50	(*)	2	41	(*)	3	21	(*)	2
Colombia	(*)	40	7	(*)	30	7	(*)	25	7	(*)	20	8
Peru	74	80	8	79	25	6	40	25	6	9	27	6
Venezuela	(*)	840	17	(*)	430	17	(*)	200	13	(*)	230	19
Other countries	(**)	8	1	1	12	1	1	9	1	1	3	1
Western Hemisphere dependencies	29	46	1	16	50	1	29	50	2	30	46	2
Europe, total	2	275	497	(**)	422	459	(**)	339	493	2	349	594
Common Market, total	1	159	179	(**)	254	166	(**)	174	213	(**)	178	260
Belgium and Luxembourg	(**)	30	16	(**)	17	10	(**)	31	8	(**)	23	11
France	1	46	44	(**)	84	42	(**)	41	47	(**)	41	48
Germany	(**)	40	100	(**)	84	95	(**)	59	139	(**)	80	163
Italy	(**)	29	18	(**)	30	14	(**)	19	10	(**)	27	16
Netherlands	-------	25	7	(**)	39	5	(**)	44	9	(**)	26	12
Other Europe, total	(*)	116	319	(**)	168	293	(**)	165	280	2	193	311
Denmark	-------	6	2	-------	11	1	-------	11	1	-------	11	1
Norway	(*)	2	2	(**)	6	3	(**)	18	3	(**)	25	3
Spain	(*)	(**)	5	(**)	1	3	(**)	(**)	3	(**)	1	4
Sweden	-------	8	3	-------	12	2	-------	12	2	-------	16	3
Switzerland	(*)	4	4	(**)	3	4	(**)	3	3	(**)	6	3
United Kingdom	-------	94	299	-------	124	277	-------	99	264	-------	90	293
Other countries	(**)	4	3	(**)	11	3	(**)	22	4	2	33	4
Africa, total	25	47	12	21	48	10	26	85	6	24	121	7
North Africa	(**)	13	(**)	1	18	1	1	36	1	1	90	1
East Africa	(**)	10	(**)	(**)	9	(**)	(**)	9	(**)	(**)	10	(**)
West Africa	3	10	(**)	4	7	(**)	4	8	(**)	5	10	(**)
Central and South Africa, total	23	12	11	16	14	9	20	11	5	18	11	6
Union of South Africa	9	(*)	11	6	(*)	9	6	(*)	5	6	(*)	6
Other countries	14	(*)	(**)	10	(*)	(**)	14	(*)	(**)	12	(*)	(**)
Asia, total	1	264	57	2	241	42	2	226	41	2	229	52
Middle East	(**)	144	3	-------	169	3	-------	129	3	-------	124	4
Far East, total	1	119	54	2	72	39	2	97	38	3	104	48
India	-------	(*)	9	-------	(*)	7	-------	(*)	9	-------	(*)	9
Japan	-------	(*)	25	-------	(*)	16	-------	(*)	14	-------	(*)	25
Philippine Republic	(*)	(*)	18	(*)	(*)	14	(*)	(*)	13	(*)	(*)	12
Other countries	(*)	(*)	2	(*)	(*)	2	(*)	(*)	2	(*)	(*)	2
Oceania	13	36	46	5	26	61	12	43	64	12	55	69
Australia	13	(*)	44	5	(*)	55	12	(*)	53	12	(*)	67
International	-------	57	-------	-------	15	-------	-------	55	-------	-------	10	-------

*Included in area total. **Less than $500,000.

Large Petroleum Outlays Abroad

Nearly $2 billion is being spent abroad by U.S. petroleum companies in 1960 to add to plant and equipment and for development in all phases of the industry. This total includes $1.6 billion classified as capital outlays and some $400 million of exploration and development expenditure charged against income. The latter outlays are relatively stable, and are based on the long-term expectation of rising world demand. Despite cutbacks since 1957, therefore, this industry continues to account for a major portion of foreign investment activity by U.S. business.

Exploration and Development Expenditures of Petroleum Companies Charged Against Income
[Millions of dollars]

	1957	1958	1959
Total	480	414	402
Canada	154	168	123
Latin America	113	136	131
Europe	46	67	52
Africa	20	17	49
Asia	40	40	45

In some areas investments in the petroleum industry are rising in 1960; refinery expansion and other outlays increased in a number of European countries and in Australia, and development of new resources required larger investments in North Africa. Capital outlays were considerably lower in 1960 in Latin America, with the reduction centered in Venezuela. Although plant and equipment expenditures in Canada have also declined, they remain at an annual rate of nearly $400 million annually, accounting for about one quarter of the industry's foreign capital expenditures.

Mining outlays lower

Reduced capital expenditures by mining enterprises abroad in 1960 reflect primarily the completion of a few large projects. These reductions occurred largely in Chile, Peru and Cuba; in the last named country the existing properties have recently been seized.

Mining investments in Canada account for two-thirds of the industry total in 1960, and are expected to continue on a large scale. New projects are also expected to bring an upturn for the industry in Latin America and some parts of Africa.

Other industries

Investment by other industries, excluding construction abroad by some shipping companies, is estimated at at about $0.6 billion in 1960. About half of these outlays are by firms in trade and distribution, which have increased their investment programs each year since 1957, and reported a sharp increase in Europe in 1960.

Outlays by the public utilities have dropped very sharply from the 1957 amount. In Canada, where pipelines are an important part of this industry, some increase in expenditures is expected. For Latin America the aggregate of capital outlays by the utility firms is declining rapidly, though not in every country. Agricultural investments, also important in Latin America, continue to drop, with large properties in Cuba seized by the government, and operating problems remaining to be solved in other countries.

Increase in other assets

After reducing inventories on balance in 1958, the foreign enterprises resumed a sizable inventory accumulation in 1959, amounting to $0.4 billion. Receivables also increased $0.5 billion in the year, and about $0.8 billion was used to acquire other assets. These figures cover only the manufacturing, petroleum and mining companies. Enterprises in other industries, especially in trade and distribution, also added moderate amounts to inventories and receivables in 1959.

Inventory accumulation was largest in manufacturing, paralleling the general experience of industrial companies in the 1959 business upturn. This industry also accounted for most of the expansion in receivables and miscellaneous assets, notably in European operations.

Sources of Financing

IN order to carry out the additions to fixed and other assets described above, the companies in the manufacturing, petroleum and mining industries required $4.8 billion of funds in 1959. Over half of these resources were provided by the foreign enterprises out of retained earnings of $0.9 billion and depreciation and depletion charges of $1.8 billion. External financing of $1.2 billion was supplied by parent companies and others in the United States, and $0.9 billion by foreign creditors and investors.

The volume of financing utilized in 1959 was $0.4 billion larger than in 1958, mainly because of the step up in inventory accumulations. In 1957 a peak amount of nearly $6 billion was necessary to pay for large expansions of both fixed and current assets.

Enterprises in other industries obtained about $1 billion in 1959, of which nearly two-thirds was provided out of retained earnings and depreciation charges.

Table 2.—Plant and Equipment Expenditures Abroad by U.S. Manufacturing Companies, by Major Commodities and Areas, 1957–60

[Millions of dollars]

	Manufacturing, total	Food products	Paper and allied products	Chemicals and allied products	Rubber products	Primary and fabricated metals	Machinery (except electrical)	Electrical machinery	Transportation equipment	Other manufacturing
All areas, total										
1957	1,347	78	144	234	80	208	120	90	208	117
1958	1,190	87	102	201	67	130	116	83	221	113
1959	1,141	74	90	216	60	132	100	88	259	105
1960	1,314	110	78	245	55	134	127	120	327	108
Canada										
1957	501	20	120	85	17	143	25	32	50	45
1958	404	25	82	86	10	58	11	23	69	41
1959	379	22	75	74	14	61	8	23	61	40
1960	382	48	60	68	14	60	16	33	53	40
Latin America [1]										
1957	174	16	11	49	17	16	3	22	20	21
1958	211	23	6	51	18	17	4	15	50	26
1959	228	14	5	50	17	17	3	15	83	18
1960	234	29	7	71	16	9	2	30	51	16
Europe:										
Common market										
1957	170	10	4	20	3	11	37	14	61	13
1958	165	8	4	22	5	7	53	18	36	15
1959	213	17	3	22	6	7	64	20	48	16
1960	280	14	3	30	4	12	60	24	93	17
Other Europe										
1957	310	23	4	48	19	20	44	20	110	28
1958	293	19	5	71	23	40	41	13	61	21
1959	220	11	4	49	25	37	25	15	30	18
1960	311	17	5	50	15	89	34	29	107	24
Other areas										
1957	115	12	6	16	24	6	8	11	21	10
1958	106	15	3	21	11	6	7	10	15	10
1959	101	12	3	13	8	10	6	16	20	13
1960	115	13	3	23	7	15	9	10	23	13

1. Includes minor amounts in European dependencies.

Note: Data for 1960 are based on anticipations of reporting companies.

Internal Fund Sources

The largest and most consistent source of funds for financing foreign operations is the annual charge for depreciation and amortization of existing fixed assets, including small amounts of depletion charges. These charges for the three major industries amounted to $1.8 billion in 1959, and are growing by some $150–200 million annually. About $300 million a year is also charged to depreciation by enterprises in other industries.

At current levels depreciation charges are equal to about 60 percent of foreign plant and equipment expenditures. In comparable domestic industries the proportion is much higher.

About $0.9 billion of the depreciation charges originate in the petroleum industry, including about $100 million of depletion charges. Latin America accounted for one-third of the total. In the aggregate, these charges were equal to over half of this industry's capital expenditures, with the

Table 3.—Plant and Equipment Expenditures Abroad in Selected Industries, by Area, 1957–60

[Millions of dollars]

Areas and industries	1957	1958	1959	1960
Selected industries, total	720	643	572	605
Agriculture	103	57	53	48
Public utilities [1]	335	309	212	177
Trade	180	101	224	290
Miscellaneous	105	84	83	94
Canada, total	285	225	245	217
Public utilities	130	110	78	90
Trade	47	34	66	75
Agriculture and miscellaneous	102	90	93	92
Latin America, total	278	269	203	179
Agriculture	48	40	34	29
Public utilities	184	188	122	87
Trade	20	31	33	46
Miscellaneous	26	10	14	14
Europe, total	125	94	109	148
Trade	107	87	102	141
Public utilities and miscellaneous	18	7	7	7
Other areas	61	65	58	70
Agriculture	8	7	7	7
Public utilities [1]	24	16	14	14
Trade	12	18	24	35
Miscellaneous	18	14	13	14

1. Excludes expenditures of international shipping companies.

ratio higher in Latin America and Asia, but lower in Canada where such expenditures were considerably larger.

Depreciation charges in the manufacturing enterprises at about $0.7 billion are growing rapidly in line with the expansion of the industry. In 1959, as in the previous 2 years, this was the largest source of funds for manufacturing, exceeding reinvested earnings and capital flows from the United States. Most of the depreciation charges are in Canada and Europe, where manufacturing assets are largest.

In the mining and smelting industry, these depreciation and depletion charges are comparatively small in the aggregate, although in 1959 they were about 40 percent as large as capital expenditures.

Retained earnings

For the manufacturing, petroleum and mining enterprises, retained earnings amounted to $0.9 billion in 1959. This was somewhat larger than the 1958 amount, but much smaller than the record $1.4 billion of 1957, when a large part of peak earnings in petroleum was retained abroad for investment.

Over $0.6 billion of the 1959 amount was retained abroad by the manufacturing companies. Earnings in this industry reached a new high in that year, and 60 percent of the increase, in the aggregate, was reinvested. The increased availability of funds from this source was especially important in Canada.

For the petroleum enterprises, the amount of income considered to have been remitted has remained fairly steady in the 1957–59 period. Earnings of the industry were much higher in 1957 than in subsequent years, and about half of the total was retained abroad to finance peak foreign outlays. With investments considerably lower thereafter, the companies have relied primarily on other sources of funds.

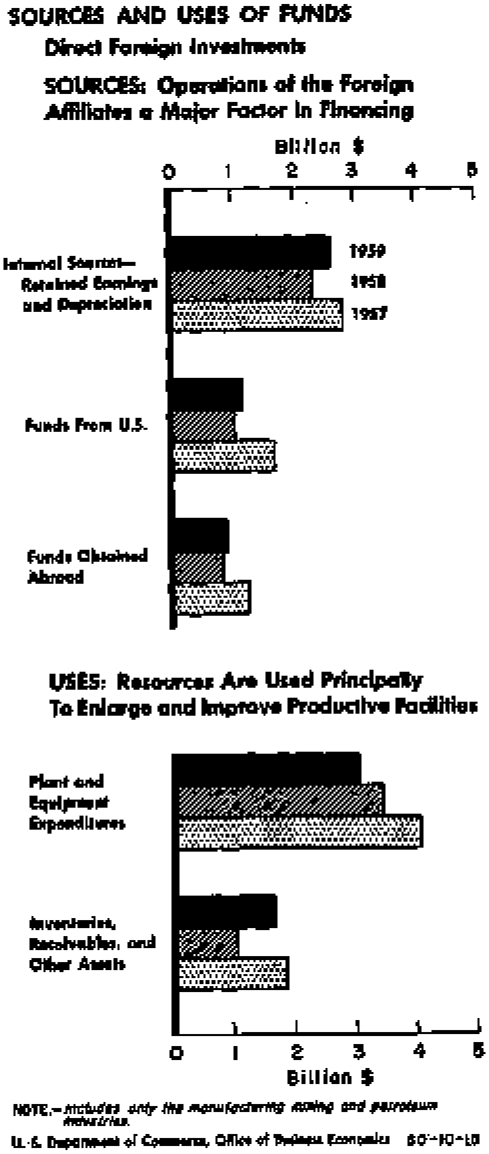
Earnings of mining companies rose sharply in 1959, with most of the increase retained abroad for investment.

External Financing

The three major industries, mining, petroleum and manufacturing, obtained about $1.2 billion of financing from U.S. investors and creditors in 1959. As shown in table 4, this was a small increase over the 1958 amount, with manufacturing enterprises in Europe responsible for most of the rise.

This category of the sources of funds accounts corresponds, with some modifications, to the data for capital outflows included in the balance-of-payments accounts. In both 1958 and 1959 these capital outflows were substantial, but were only about one-third as large as outlays abroad for plant and equipment. Increased cash flows from other sources tend to reduce reliance on transfers of funds from parent companies except when major projects are undertaken, or there is a sharp fluctuation in working capital requirements. Of course, new enterprises are financed largely by parent companies. In the aggregate, the increase in funds supplied from the United States between 1958 and 1959 provided about 30 percent of the overall increase in funds required.

In addition to the increased financing from the United States of manufacturing operations in Europe, the flow to this industry in Canada was also raised in 1959. The aggregate flow to petroleum enterprises was unchanged; the amount provided for Canadian operations was lower, in line with reduced investment activity, while somewhat larger amounts flowed to Europe and Latin America.



Funds obtained abroad

Foreign creditors and investors provided about $0.9 billion in 1959, slightly less than in 1958. Petroleum companies sharply reduced their use of local financing; in Canada and Europe the reduction reflected a lower rate of investment in fixed and other assets, while in Latin America part of the shift from 1958 was related to payments of tax liabilities accrued in 1958.

A large increase in external foreign funds employed in the manufacturing enterprises was reported in Europe, and a smaller increase occurred in Canada. In both cases the financing appeared to be related largely to mounting working capital needs.

Assets and Financial Structure

A MAJOR objective of the Office of Business Economics census of foreign business investments was to obtain new data on the assets employed by the direct-investment enterprises, and to examine their financial structure.

Total assets employed by U.S. direct-investment enterprises abroad were nearly $42 billion in 1957, excluding assets of financial organizations and after consolidating investments in affiliated foreign enterprises.

Financing of these resources was divided between U.S. parent companies and other U.S. residents, that had $24 billion invested, and local investors abroad that provided $18 billion. The U.S. ownership was mainly in the form of equity interests in stock, surplus, and branch accounts, while foreign investors financed most of the debt of the enterprises.

Assets employed in 1957 were $23 billion larger than the 1950 total of $19 billion. The U.S. investment in these enterprises (excluding finance) rose $13 billion in the period, and the firms utilized $10 billion of financing obtained abroad. The latter figure includes the share of foreign investors in undistributed earnings.

Fixed assets

About half of the assets employed abroad consisted of fixed assets, after deducting reserves for depreciation and amortization; current assets accounted for 43 percent, and miscellaneous assets, for 7 percent. Gross fixed assets, before deducting reserves, were over $32 billion.

About 40 percent of the gross assets were utilized by petroleum companies and 30 percent in manufacturing. Mining and public utility enterprises each accounted for somewhat over 10 percent.

Depreciation

About 36 percent of the value of fixed assets was set aside in reserves for depreciation, amortization and depletion of the underlying plant, property and equipment. The ratio was somewhat higher than this average in manufacturing and mining, and, as usual, much lower in public utilities.

In general, the ratio of reserves to fixed assets is lower in the foreign direct-investment enterprises than in comparable industries in the United States.

Current assets

Nearly $18 billion of current assets were held by direct-investment enterprises in 1957, including cash, receivables, and inventories. About 45 percent was held by manufacturing companies, and nearly 30 percent by the petroleum industry.

Current assets made up 30–34 percent of total assets in the extractive industries, around 55 percent in manufacturing, and about 70 percent for the trading companies. These ratios tended to be higher than those in comparable U.S. industry groups, although the general pattern was quite similar. In domestic firms holdings of government and other securities tend to be much larger proportionately than equivalent assets on the foreign books. If

Table 4.—Sources and Uses of Funds of Direct Investment Enterprises, by Area and Selected Industry, 1957–59

[Millions of dollars]

SOURCES OF FUNDS

Area and industry	Total			Net income			Funds from United States			Funds obtained abroad [1]			Depreciation and depletion		
	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959
All areas, total	7,584	6,373	6,732	3,663	2,811	2,845	1,702	1,095	1,181	1,429	952	937	1,330	1,416	1,771
Mining and smelting	740	667	854	320	242	372	234	337	184	10	43	130	163	145	162
Petroleum	4,301	3,379	2,880	1,788	1,326	1,196	1,043	520	525	832	504	218	688	830	914
Manufacturing	2,437	2,338	3,062	900	1,044	1,275	425	300	460	578	346	665	570	610	606
Canada, total	1,803	1,601	1,833	663	541	717	480	422	376	234	131	284	487	506	550
Mining and smelting	209	220	396	117	93	112	77	76	121	11	35	95	84	80	97
Petroleum	704	610	439	149	78	89	213	234	112	231	128	30	170	178	180
Manufacturing	830	762	990	395	403	606	100	111	143	−6	−32	80	253	280	300
Latin America, total	2,472	1,455	1,470	930	853	855	884	272	238	330	296	190	348	435	471
Mining and smelting	387	342	343	126	127	167	160	130	80	24	10	40	70	76	74
Petroleum	1,025	919	702	660	409	333	582	76	132	160	136	−90	224	300	327
Manufacturing	400	394	426	146	117	135	123	67	70	147	150	150	46	60	70
Europe, total	1,568	1,547	1,878	697	503	629	238	163	381	513	519	446	300	363	429
Mining and smelting	10	10	10	10	8	8	1	1	(*)	−3	(*)	1	1	1	1
Petroleum	574	649	678	155	106	116	102	58	160	140	206	144	107	132	168
Manufacturing	670	586	1,287	312	380	490	76	66	231	307	103	300	192	240	200
Other areas, total	1,691	1,498	1,554	964	914	851	120	266	180	353	37	202	255	269	315
Mining and smelting	80	80	100	77	45	56	−3	18	27	−13	−2	−0	11	18	20
Petroleum	1,338	1,005	1,107	773	785	648	80	165	134	203	−25	158	187	230	230
Manufacturing	272	293	281	114	134	138	57	35	25	73	64	53	40	60	65

USES OF FUNDS

[Millions of dollars]

Area and industry	Total			Property, plant, and equipment			Inventories			Receivables			Other assets			Income paid out		
	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959	1957	1958	1959
All areas, total	7,584	6,273	6,732	4,000	3,457	3,051	637	−34	378	785	362	606	508	622	814	1,645	1,871	1,919
Mining and smelting	740	667	854	421	420	417	45	−30	37	24	20	70	34	37	77	222	210	253
Petroleum	4,301	3,278	2,886	2,322	1,854	1,644	205	−48	−8	407	165	65	290	178	160	952	1,138	1,080
Manufacturing	2,537	2,338	2,092	1,347	1,180	1,120	327	52	349	214	176	305	176	407	553	471	523	640
Canada, total	1,883	1,667	2,832	1,308	1,066	697	124	−92	104	13	92	118	85	166	202	333	331	352
Mining and smelting	209	225	295	163	172	240	22	−4	18	5	1	20	9	−2	67	70	60	61
Petroleum	704	610	420	484	510	373	40	−33	−4	24	36	12	41	25	−5	90	47	59
Manufacturing	830	762	900	601	404	379	63	−45	150	−14	35	80	35	173	157	197	210	233
Latin America, total	2,472	1,859	1,470	1,429	1,000	825	147	9	89	302	61	06	187	84	−10	417	511	490
Mining and smelting	387	342	343	210	221	151	21	−29	18	10	10	29	47	30	16	84	101	134
Petroleum	1,030	919	703	1,038	577	442	59	−21	−30	190	−10	30	31	10	−48	277	330	288
Manufacturing	400	394	425	174	209	212	67	49	101	66	31	40	78	38	14	36	64	65
Europe, total	1,560	1,547	1,873	774	882	750	243	18	34	138	169	247	61	157	382	281	291	383
Mining and smelting	10	10	10	3	------	(*)	1	(*)	(*)	−1	−1	−1	−1	1	(*)	8	10	11
Petroleum	574	648	578	276	429	330	90	−20	5	80	110	23	10	41	80	167	95	126
Manufacturing	670	586	1,287	497	460	420	159	38	89	113	66	224	46	145	304	108	186	247
Other areas, total	1,691	1,448	1,654	579	498	510	123	29	41	282	50	40	175	166	229	612	748	734
Mining and smelting	80	80	100	40	27	20	1	−5	1	10	10	20	−31	8	12	60	40	47
Petroleum	1,339	1,093	1,167	424	345	376	67	4	21	101	10	(*)	185	98	180	532	640	615
Manufacturing	272	293	281	119	114	100	55	30	0	31	30	20	21	51	71	50	66	72

1. Includes miscellaneous and unidentified sources.

*Less than $500,000.

all nonfixed assets are combined, the ratios for domestic firms and foreign investments in the same industries are fairly similar.

Financial Structure

The financial structure of the ownership of the foreign enterprises is unlike that of domestic industry because of the importance of intercompany accounts and branch accounts with parent companies in the United States. Of total foreign assets of nearly $42 billion, some $18 billion represented debt (including debt to parent companies) and $24 billion represented equity investments, counting branch-head office accounts as the equivalent of equity interests.

Liabilities—About 55 percent of the liabilities were short-term, although this ratio was considerably lower in Canada and higher in Europe. Among the industries, the ratio of current to total liabilities was relatively high in agriculture, manufacturing, and trade, and low in public utilities and mining.

Long-term debt of $5.4 billion was concentrated in Canada, where subsidiaries in several industries were able to obtain a relatively large proportion of their capital from local and U.S. capital markets. In Canada, and a few other countries with sizable capital markets, there is a substantial demand for marketable debt of these enterprises at interest rates comparable to those in the United States.

Equity—Of the $24 billion of equity ownership of the foreign enterprises, about one-fourth is represented by branch accounts, and the remainder by capital stock and accumulated surplus accounts. About 60 percent of the combined total of stock and surplus is in the latter, indicating the importance of retained earnings as a source of financing. In addition, reductions in asset values resulting from currency depreciations, as well as occasional capitalizations of surplus accounts, tend to result in an understatement of the contribution of retained earnings to the accumulated equity position.

Technical Note

The basic data on sources and uses of funds contained in this article are derived from the complete Office of Business Economics census for 1957, to be published in *U.S. Business Investments in Foreign Countries*, and annual reports prepared by about 200 U.S. companies covering each of their foreign subsidiaries and branches, supplemented by published reports for certain foreign corporations. In addition, quarterly reports supplied by a larger group of companies for use in the balance-of-payments accounts were used to broaden the coverage of data on earnings and capital flows from the United States.

Table 5.—Assets, Liabilities and Net Worth of Direct Investments by Area and Industry,[1] 1957

[Millions of dollars]

Area and industry	Assets: Current assets	Assets: Investments in affiliates	Assets: Fixed assets, at cost	Assets: Less: Related reserves	Assets: Other assets	Assets: Total assets	Liabilities: Current liabilities	Liabilities: Long-term debt	Liabilities: Other liabilities	Liabilities: Total liabilities	Net worth: Capital stock	Net worth: Surplus and surplus reserves	Net worth: Branch accounts	Net worth: Total net worth
All areas, total	17,670	778	32,276	11,522	3,068	42,470	10,237	5,437	2,450	18,123	7,787	10,488	6,158	24,348
Agriculture	307	16	1,000	483	146	1,036	162	47	28	237	190	271	338	799
Mining and smelting	1,285	38	3,496	1,307	348	3,802	424	483	187	1,193	518	1,067	1,004	2,680
Petroleum	4,962	222	12,522	4,828	1,366	14,750	3,332	1,096	1,160	6,187	2,110	2,764	3,492	8,563
Manufacturing	5,287	322	9,643	3,820	651	14,907	4,238	1,040	970	6,524	3,276	4,703	336	8,374
Public utilities	370	40	2,610	818	218	3,032	461	1,212	170	1,833	918	507	374	1,790
Trade	1,980	96	667	283	165	2,946	1,070	138	137	1,359	631	787	281	1,699
Miscellaneous	359	38	712	232	174	1,240	410	201	88	693	290	280	70	650
Canada, total	6,513	307	11,330	3,397	898	14,944	2,548	2,510	657	5,737	2,477	4,944	856	8,387
Agriculture	60	(**)	212	62	3	214	40	25	0	70	31	112	(**)	144
Mining and smelting	530	22	1,289	402	217	1,628	190	181	87	477	224	938	177	1,047
Petroleum	694	45	3,100	827	206	3,446	383	812	131	1,329	710	888	614	2,117
Manufacturing	3,154	184	4,971	2,178	263	6,395	1,274	1,090	242	2,607	972	3,732	80	3,788
Public utilities	142	6	1,244	279	106	1,191	87	433	34	553	337	177	22	537
Trade	561	10	366	109	37	881	263	63	40	381	124	290	61	470
Miscellaneous	161	13	268	80	66	424	102	105	13	220	62	131	11	204
Latin America, total	4,149	167	10,027	3,849	784	11,360	2,610	993	698	4,298	3,640	1,561	3,848	7,588
Agriculture	213	16	709	330	140	749	108	29	21	149	139	129	334	599
Mining and smelting	488	1	1,801	678	78	1,654	108	190	88	398	101	283	871	1,255
Petroleum	1,140	37	4,073	1,390	261	4,254	849	129	350	1,329	329	607	2,006	2,932
Manufacturing	1,283	14	1,300	410	147	2,301	765	127	117	1,010	890	335	160	1,381
Public utilities	226	3	1,842	422	40	1,700	297	477	93	867	476	86	310	871
Trade	679	63	202	73	03	928	347	28	58	425	160	210	131	603
Miscellaneous	129	12	134	43	32	273	104	31	21	166	54	30	33	117
Europe, total	5,127	174	5,231	1,680	606	9,239	3,358	726	673	4,783	2,258	2,063	175	4,496
Agriculture	1	......	1	(**)	(**)	2	1	(**)	......	1	1	(**)	(**)	1
Mining and smelting	30	1	70	30	8	87	21	6	3	32	23	12	8	54
Petroleum	1,348	26	1,708	694	802	2,772	1,010	296	340	1,642	684	380	60	1,128
Manufacturing	3,029	113	2,728	1,004	193	5,060	1,811	353	277	2,441	1,203	1,310	87	2,619
Public utilities	22	......	38	8	3	56	0	14	2	24	14	—7	18	31
Trade	528	21	208	78	50	889	348	21	32	423	102	226	47	464
Miscellaneous	162	13	223	77	53	374	131	29	18	178	71	111	15	197
Other areas, total	3,081	142	4,101	1,792	768	7,921	1,932	875	528	3,334	963	1,745	1,277	3,985
Agriculture	33	......	78	41	1	71	13	2	1	16	19	33	8	66
Mining and smelting	252	14	420	138	47	590	138	87	61	284	150	164	7	311
Petroleum	1,570	72	3,240	1,216	699	4,278	1,081	464	338	1,883	800	674	1,123	2,396
Manufacturing	742	11	679	238	48	1,241	427	98	38	563	240	374	63	677
Public utilities	169	37	610	108	50	678	89	189	42	319	90	248	18	356
Trade	222	9	63	32	10	270	103	12	13	137	50	49	53	162
Miscellaneous	76	2	86	30	32	178	73	30	30	140	13	16	11	38

1. Excludes finance and insurance. **Less than $500,000.

Note: Investment in affiliates appears in the accounts of the primary foreign enterprises, and represents a duplication of assets (and liabilities and net worth) of this amount.

Plant and equipment expenditures

A measure of the coverage of total capital expenditures provided by annual reports to the Office of Business Economics and supplementary data is given in the following tabulation:

Ratio of Plant and Equipment Expenditures of Reporting Companies to Estimated Totals for Specified Industries, 1959

[Percent]

Area	Mining and smelting	Petroleum	Manufacturing
All areas	77	80	48
Canada	88	72	49
Latin America	69	81	40
Europe	(1)	89	54
Other areas	50	77	40

1. Absolute amount not significant.

Other assets

Increases or decreases in inventories, receivables, or other assets held by the foreign enterprises are estimated by relating the changes reported by the sample companies to total changes reported in the 1957 census. As for other uses and sources of funds, the foreign enterprises are sorted into industry-country cells, and within these cells are further stratified by size where a few large enterprises predominate.

Sources of funds

Data for earnings, income paid out, and the residual amount of retained earnings, are related to the estimates prepared for the balance of payments accounts, but differ in the following respects: (1) the share of foreign investors as well as U.S. owners is included in the earnings data in the sources and uses series, (2) the balance of payments series includes interest in income receipts, but withholding taxes abroad are deducted, and (3) in the balance of payments series all branch earnings are deemed to be paid out, but in the sources and uses series, earnings are deemed to be paid out only to the extent they exceed the increase in net foreign assets of the branches. This treatment of branches results in a lower figure for income paid out in the sources and uses series, a larger figure for retained earnings, and a correspondingly lower figure for funds obtained from the United States.

The data for funds obtained from the United States, as given in the sources and uses series, differ from the balance of payments series mainly because of the treatment of branch earnings described above, and because certain funds supplied by U.S. residents other than parent companies are included.

Financing obtained abroad is a mixture of accrued liabilities of various kinds, as well as increased current accounts payable and long-term debt or equity financing. Into this category also fall any discrepancies between the estimates of the various other sources and uses of funds.